

Quarterly Review for:

SEI

SEI Stable Asset Fund

June 30, 2006

As of June 30, 2006

FIXED INCOME MARKET REVIEW

The Federal Reserve kept investors on tenterhooks during the second quarter, failing to either pause in policy tightening or give a signal that a pause is unquestionably near. This has been disconcerting to a number of investors who believe the Fed is now in danger of tightening too much and forcing the economy into a downturn or even a recession. At the same time, inflation data have been elevated, which makes it appear even more likely that the Fed will err on the side of overdoing it. Investor concerns about over tightening caused the yield curve to flatten during the latter half of the quarter. Economic data released in June, was, on balance, improved from data released earlier in the quarter, making it clear that the Fed would have at least one more rate-hike and that the economy was weathering higher interest rates and commodity prices rather well. The Fed raised rates again on June 29, and many forecasters interpreted the accompanying statement to mean that the Fed would soon pause.

The Federal Reserve should raise the funds rate another 25-basis points to 5.5% and then pause for a period of time. The length of this period depends on the growth and inflation outlook over the next few years. The data indicates that inflation pressure is likely to remain elevated for the next six months but should start to subside in 2007 as economic growth remains moderate (GDP of 3.5% in 2006 and 3% in 2007). If so, the peak funds rate should be no higher than 5.75%. While sustained GDP growth and contained inflation generally bode well for investors, there is likely to be a fairly high level of uncertainty about the economy, inflation and monetary policy for the next few quarters. This uncertainty should result in increased volatility and a higher risk premium. Indeed, it is a well known fact that investors do not like uncertainty, which should make for interesting times (and opportunities) in the markets in coming quarters.

PORTFOLIO REVIEW

For the second quarter in the SEI Stable Asset Fund, no news was good news. The Fund earned 1.11% (before fees) during the second quarter and 4.55% (before fees) for the one-year period ending June 30, 2006. In contrast, other financial market indices such as the Lehman Intermediate Aggregate Index and the S&P 500 Index posted second quarter returns of -0.08% and -1.44% respectively. A few reinvestments of maturing bond proceeds kept the overall Fund duration close to the duration target and to last quarter, at 2.88 years. Similarly, the underlying bond portfolios continue to be managed neutral to slightly short the underlying benchmark durations. Stable cash flows kept the Fund balance over \$7.9 Billion, and the credit quality of the Fund remained unchanged at AAA. The Fund remains broadly diversified by sector allocation and security holding, with only subtle shifts in the largest sector positions: AAA Asset Backed (15%), Treasuries (12.5%) and AAA Mortgage Backed Securities (11.7%).

SEI STABLE ASSET FUND

as of 6/30/06

Fund Balance: **\$7.913 Billion**
 Annualized Quarterly Return: **4.53%¹**
 12-Month Rolling Return: **4.55%¹**
 Duration: **2.88 Years**
 Average Credit Quality: **AAA/Aaa²**

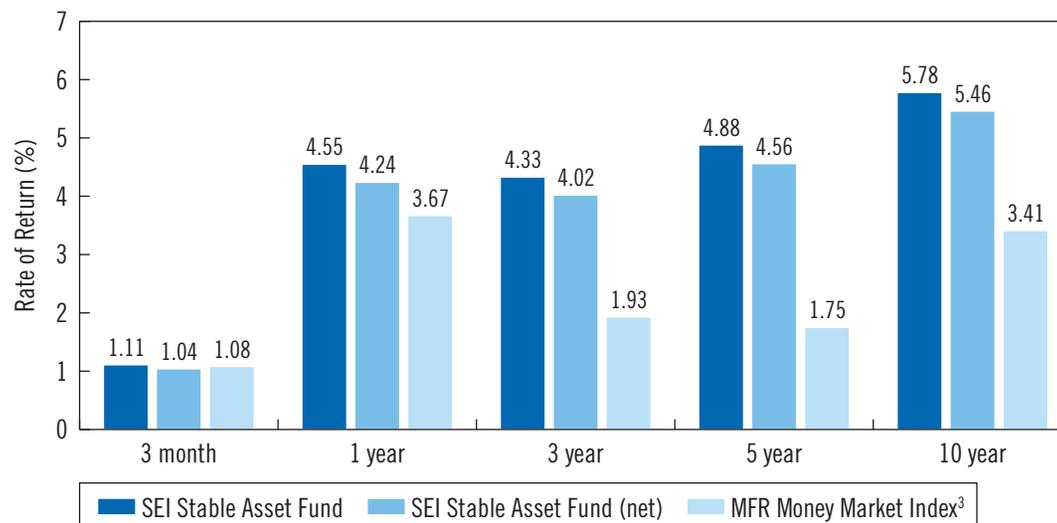
OBJECTIVE

- Preservation of principal, stable market value
- Earn current income while tracking intermediate-term interest rates

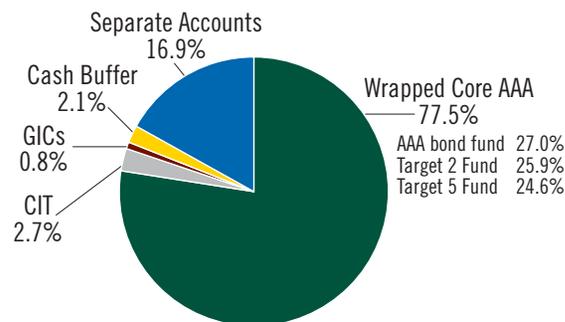
STRATEGY

- Invests in a diversified portfolio of high quality investments to reduce risk
- Utilizes wrapped fixed income investments to enhance credit quality and diversification

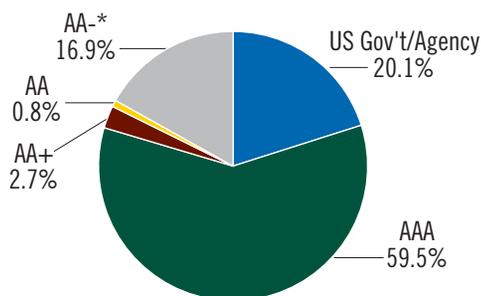
SEI Stable Asset Fund Investment Performance¹



Product Diversification

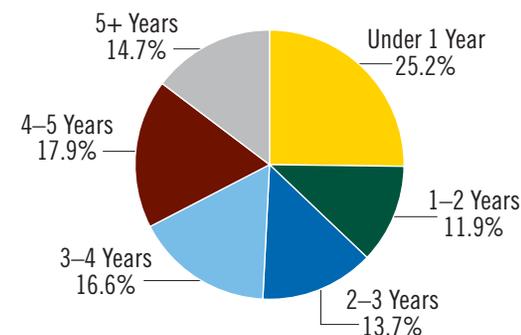


S&P Credit Ratings



*Represents the minimum average credit quality of underlying assets within Separate Account Contracts or of GIC issuers, as applicable

Duration Breakdown

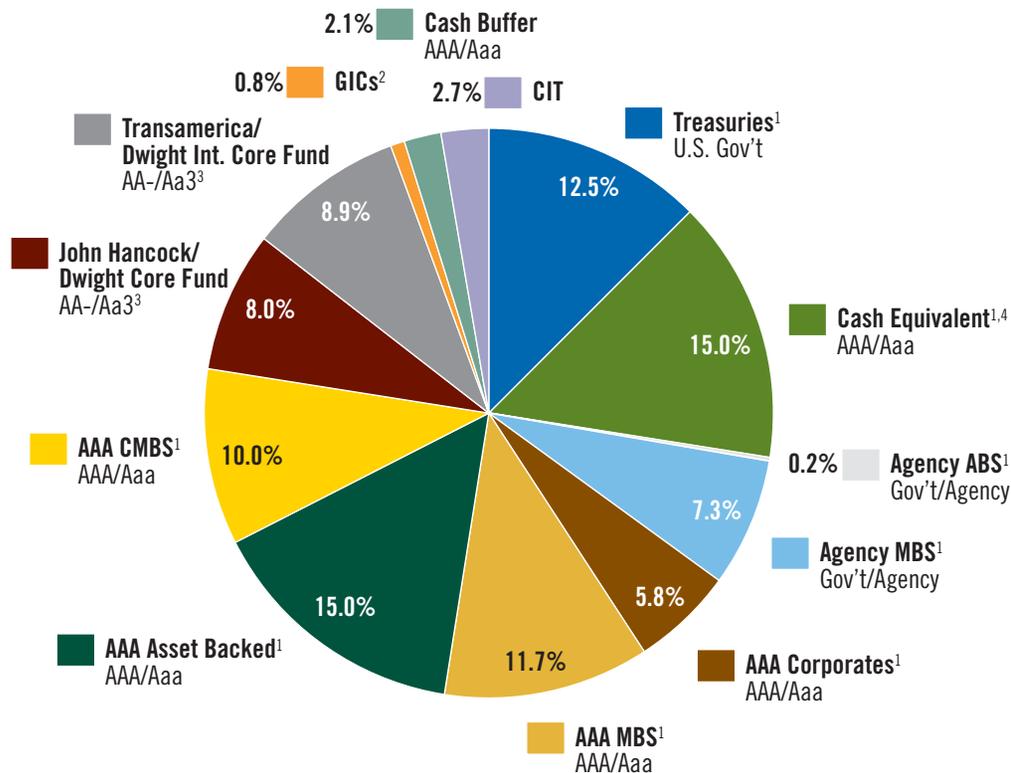


1. Past performance is not a guarantee of future results. Returns are presented before fees (gross) unless otherwise indicated, on an annualized basis (with the exception of the 3 month return), and include the reinvestment of interest income. Fees, which will reduce actual client returns, may vary among clients. A fee schedule is available upon request. Net returns shown for the SEI Stable Asset Fund reflect the deduction of trustee and investment advisory fees at an assumed annual rate of 30 bps.

2. The average credit quality for the Fund has been calculated using a convention where each S&P/Moody's rating category is assigned a numeric equivalent from 1 to 22. Treasuries =1, Government Agencies=2, AAA/Aaa=3, AA+/Aa1= 4, AA/Aa2 = 5, AA-/Aa3 = 6, A+/A1=7 and so on. The dollar weighted average numeric rating is determined and rounded to the closest S&P/Moody's rating equivalent.

3. The MFR Money Market Index is the all-taxable money fund report average, a product of iMoneyNet, Inc. and is presented net of certain fees and expenses.

Portfolio Composition S&P/Moody's



Total Portfolio: \$7,913,001,243

1. Book Value Wraps for Fixed Income Portfolios Provided by:

AIG-FP	11.1%
Bank of America	11.1%
IXIS-FP	11.1%
Monumental	11.1%
Rabobank	11.1%
Royal Bank of Canada	11.1%
State Street Bank	11.1%

2. GICs: (All 1.0%)

Mass Mutual	AAA/Aa1
Metropolitan	AA/Aa2
Monumental	AA/Aa3
Principal Life	AA/Aa2
State Street Bank	AA/Aa2
Travelers	AA/Aa2

3. Minimum average credit quality of underlying fixed income portfolios

4. Represents fixed income securities maturing in less than one year

SEI STABLE ASSET FUND

Gross Returns (%)

Date	Monthly	Monthly		Quarterly		Annualized				
		Annualized*	Quarterly	Annualized*	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year
Jun 06	0.37	4.57	1.11	4.53	4.55	4.47	4.33	4.60	4.88	5.78
Mar 06	0.37	4.48	1.09	4.49	4.60	4.40	4.36	4.67	4.99	5.83
Dec 05	0.38	4.56	1.13	4.56	4.62	4.32	4.41	4.75	5.11	5.86
Sep 05	0.37	4.56	1.13	4.56	4.56	4.24	4.50	4.85	5.23	5.91
Jun 05	0.37	4.63	1.16	4.73	4.40	4.22	4.61	4.96	5.34	5.96
Mar 05	0.39	4.83	1.12	4.56	4.21	4.23	4.69	5.09	5.44	6.01
Dec 04	0.37	4.50	1.07	4.31	4.02	4.30	4.79	5.23	5.54	6.05
Sep 04	0.33	4.03	0.98	3.94	3.93	4.47	4.94	5.39	5.65	6.10
Jun 04	0.31	3.89	0.97	3.95	4.05	4.72	5.15	5.57	5.78	6.16
Mar 04	0.32	3.88	0.94	3.82	4.26	4.94	5.38	5.75	5.91	6.21
Dec 03	0.32	3.82	0.99	3.99	4.58	5.18	5.64	5.93	6.04	6.26
Sep 03	0.35	4.28	1.09	4.39	5.02	5.45	5.88	6.09	6.18	6.33
Jun 03	0.38	4.68	1.18	4.82	5.40	5.70	6.09	6.22	6.30	6.37
Mar 03	0.42	5.11	1.25	5.17	5.62	5.95	6.25	6.32	6.39	6.42
Dec 02	0.45	5.44	1.41	5.71	5.78	6.17	6.38	6.41	6.47	6.45
Sep 02	0.48	6.03	1.46	5.92	5.89	6.32	6.44	6.47	6.53	6.48
Jun 02	0.46	5.73	1.39	5.69	6.01	6.43	6.49	6.52	6.57	6.52
Mar 02	0.47	5.68	1.40	5.80	6.28	6.57	6.56	6.59	6.62	6.56
Dec 01	0.49	5.98	1.51	6.13	6.55	6.68	6.62	6.64	6.66	6.60
Sep 01	0.50	6.25	1.58	6.42	6.76	6.72	6.67	6.69	6.68	6.63
Jun 01	0.53	6.65	1.65	6.78	6.86	6.73	6.69	6.71	6.68	6.66
Mar 01	0.57	6.90	1.66	6.90	6.86	6.70	6.69	6.71	6.67	6.69
Dec 00	0.57	6.98	1.70	6.92	6.81	6.66	6.67	6.69	6.65	6.72
Dec 99	0.53	6.46	1.59	6.46	6.51	6.61	6.65	6.61	6.61	-
Sep 99	0.51	6.44	1.59	6.46	6.56	6.65	6.65	6.62	6.59	-
Jun 99	0.51	6.39	1.59	6.53	6.62	6.69	6.65	6.63	6.57	-
Mar 99	0.54	6.57	1.59	6.61	6.68	6.71	6.65	6.64	6.55	-
Dec 98	0.55	6.65	1.63	6.62	6.70	6.71	6.64	6.63	6.51	-
Sep 98	0.53	6.61	1.65	6.71	6.74	6.70	6.64	6.60	6.47	-
Jun 98	0.54	6.78	1.64	6.74	6.75	6.67	6.63	6.56	6.45	-
Mar 98	0.55	6.69	1.62	6.73	6.75	6.63	6.63	6.51	6.44	-
Dec 97	0.56	6.80	1.65	6.71	6.72	6.61	6.61	6.47	6.44	-
Sep 97	0.54	6.76	1.66	6.75	6.66	6.59	6.56	6.41	6.43	-
Jun 97	0.54	6.78	1.64	6.74	6.59	6.57	6.50	6.38	6.43	-
Mar 97	0.55	6.62	1.59	6.61	6.52	6.56	6.43	6.36	6.45	-
Dec 96	0.54	6.60	1.61	6.54	6.50	6.55	6.38	6.37	6.49	-
Dec 95	0.54	6.55	1.62	6.58	6.60	6.32	6.33	6.49	6.75	-
Dec 94	0.51	6.17	1.52	6.17	6.04	6.18	6.44	6.78	-	-

*Monthly & Quarterly Returns are annualized on a 365/Actual day basis.

GIC/Wrap Issuers
Approved for New Investment

	S&P	Moody's	Fitch		S&P	Moody's	Fitch
GIC Issuers				Wrap Issuers			
AEGON ¹	AA	Aa3	AA+	AIG Financial Products	AA	Aa2	NR
Mass Mutual	AAA	Aa1	AAA	AEGON ¹	AA	Aa3	AA+
Metropolitan/Travelers ²	AA	Aa2	AA	Bank of America	AA	Aa1	AA
New York Life	AA+	Aaa	AAA	ING Life and Annuity	AA	Aa3	AA
Pacific Life	AA	Aa3	AA	IXIS Financial Products ³	AAA	Aaa	AAA
Principal Life	AA	Aa2	AA	Pacific Life	AA	Aa3	AA
Prudential	AA-	Aa3	AA	Rabobank Nederland	AAA	Aaa	AA+
				Royal Bank of Canada	AA-	Aa2	AA
				State Street Bank	AA	Aa2	AA
Financial Guarantors				UBS	AA+	Aa2	AAA
Ambac	AAA	Aaa	AAA				
MBIA	AAA	Aaa	AAA				

¹ Monumental / People's Benefit Life / Transamerica / Transamerica Financial Life Insurance Co.

² Now a subsidiary of MetLife Inc.

³ Formerly called CDC Financial Products

CREDIT NEWS

- 1) The quarter was relatively quiet with respect to headline news items for the insurance industry. Carve-out acquisitions and concerns over the oncoming hurricane season seemed to be topics of discussion. With respect to the latter, many primary insurers announced plans to increase pricing, limit coverage and or reduce coastline exposures. For example, **Allstate** which incurred over \$5.7 billion in losses from 2005 hurricanes, announced plans to increase its use of reinsurance and reduce exposure to both hurricane and earthquake prone areas. **Canada Life's** UK subsidiary (parent company is **Great-West Lifeco**) announced plans to acquire most of **Equitable Life Assurance Society's** not-for-profit pension annuity business, representing approximately 130,000 policies with supporting assets of over \$8.0 billion. Great-West will also purchase about \$7.5 billion in retirement plan assets from **MetLife** representing several small and midsize 401(k) plans and some defined benefit plans. **Aegon** announced plans to acquire a 49% stake in Seguros Argos, the seventh largest life insurer in Mexico. During the quarter **Swiss Re** completed its \$7.4 billion takeover of **GE's Insurance Solutions** unit, making it the world's largest reinsurer in terms of premiums, ahead of **Munich Re**.

RATINGS CHANGES

There were no ratings changes for approved GIC/Wrap Issuers to the Fund during the second quarter.